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C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 000838

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STATE FOR EB/IFD, WHA/EPSC, INR/IAA, DRL/IL, AND WHA/CEN
STATE FOR L/LEI, EB/OMA
STATE PASS USTR
JUSTICE FOR CRIMINAL DIVISION/FRAUD SECTION/MARK MENDELSON
AND WILLIAM JACOBSON

E.O. 12958: DECL: 05/15/2017
TAGS: [ECON](#) [ECPS](#) [ELAB](#) [KJUS](#) [KPRV](#) [PGOV](#) [PINR](#)
SUBJECT: HONDUTEL UNDER FIRE AS NEGOTIATIONS OVER NEW LAW
CONTINUE

REF: A. TEGUCIGALPA 715 06

- [1](#)B. TEGUCIGALPA 579 07
- [1](#)C. TEGUCIGALPA 736 07

Classified By: Ambassador Charles Ford for reasons 1.4 (B,D)

[1](#)1. (C) SUMMARY: The major actors in on-going effort to pass a new telecommunications law met May 11, and agreed to reconcile four key issues: license authorizations, naming of commissioners, taxes, and mobile licenses. While the group plans to meet again May 18, a related effort by Congress to pass the law without Executive branch support may begin May 15, around a donor nation meeting on telecom. Meanwhile, more information regarding shady activities at state telecoms company Hondutel may force the departure of the allegedly corrupt interim chief. END SUMMARY.

[1](#)2. (C) Post hosted an informal discussion May 11 involving key representatives from groups involved in the on-going effort to pass a new telecommunications law "Ley Marco." The new law would introduce more competition in many services while helping to meet commitments outlined in CAFTA. While a strong Ley Marco was introduced with other CAFTA-related legislation late in 2005, it was never passed (ref A), and the Executive branch recently proposed a version that would support Hondutel's exclusivity in key services indefinitely.

[1](#)3. (C) The group distilled the main points of contention down to four key issues: 1) who would approve licenses to compete in domestic and international services; 2) what branch of government will name the commissioners for telecom regulator CONATEL; 3) what is the percentage tax that each company needs to contribute for international calls and social development funds; and 4) the procedure for awarding mobile licenses. ASETEL, the Honduran association of private telecommunications companies, promised to provide their view on each of the issues, with justification, to the Presidents office in time for the next meeting, planned for Friday, May [1](#)18.

THE PRESIDENT'S SIDE: LIMITED COMPETITION

[1](#)4. (C) The meeting included some of the key architects of the President's recently submitted revised law. Hector Rodriguez, the former head of Central American telecommunications association COMTELCA (www.comtelca.com), spoke at length on the changes he made in the latest revision. The principles behind his revisions were summed up recently in a letter his office wrote to private industry group COHEP: competition should be in local services only, and long distance, international and mobile licenses should be limited for "technical, economic and constitutional reasons." (Comment: Rodriguez was reportedly asked to leave COMTELCA, an organization supported by private businesses, because of his protectionist position. Rumors that he is in line to be the next head of Hondutel was supported when he appeared in the meeting with two senior Hondutel legal advisors. Rodriguez is also the uncle and confidant of Hondutel interim head Marcelo Chimirri (ref B). End Comment).

[1](#)5. (C) Rasel Tome, the head of state telecom regulator CONATEL, also supported the President's position. He expanded on the argument that licenses need to be regulated by the Congress because of constitutional requirements. Specifically, he indicated that each company that wanted to compete in international calling required an access code,

which needed to be auctioned because "the best codes contained numbers like 1-2-3." (Comment: Customers who pre-subscribe their service from home do not need to use access codes, and the Honduran market is several years from competing in U.S. type access code marketing. End Comment). Tome also maintained that he supported President Zelaya's position that only the executive branch appoint CONATEL commissioners. (Comment: Appointment of commissioners is a powerful and lucrative tool for Honduran presidents. Tome's appointment was President Zelaya's payback to Honduran businessman Jaime Rosenthal, who many believe is benefiting from illegal international "grey line" traffic terminated over his son Cesar Rosenthal's local telephone and cable company CableColor. End Comment.)

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16. (C) Mauricio Sierra, the head of the Modernization Committee under Minister of the President Yani Rosenthal, also commented on the President's desire for an "ordered market opening." He played more of a facilitator role in the discussion, trying to moderate Rodriguez's rhetoric while helping to distill the controversial points that needed to be worked. (Comment: Sierra is generally well thought of in private industry, but has had limited involvement in telecoms due to Yani Rosenthal's desire to stay far away from potential problems with his brother's CableColr. In an interesting move, Sierra's top deputy for telecoms, Rafael Madriaga, recently left the Commission to take Rodriguez' old job at COMTELCA, and immediately contacted the embassy with a desire to improve relations. End Comment).

PRO-COMETITION FACTION READY TO MOVE

17. (C) The other faction at the meeting stood behind the original Ley Marco and maintained the law would create competition, lower prices, provide more revenue to state coffers and comply with commitments made under international trade agreements. The faction was headed by World Bank representatives Adrian Fozzar and Dante Mossi and ASETEL president Jose Luis Ivera.

18. (C) Both major parties of the National Congress were represented, by Nationalist, and ex-President of CONATEL, David Matamoros and Liberal telecommunications committee member Marcia Villeda. Matamoros made some of the meeting's most insightful comments, stating flatly that the President's version was simply a delay tactic and that special interests that were benefiting daily from the current regulatory structure were behind the changes. (Comment: Post has heard credible evidence that corruption at Hondutel is bleeding between USD 2.5 million to USD 13 million a month through pirated "grey line" traffic and other schemes. End Comment.)

19. (C) Villeda, though of President Zelaya's Liberal party, is part of rival President of Congress Roberto Micheletti's faction and was firm in her request that any law presented to Congress should first be agreed upon by all stakeholders. (Comment: The latest version from President Zelaya was presented without having any other party first review it. End Comment). Unofficially, Villeda has also been asked by Micheletti to prepare a version of the law based on the original Ley Marco to be presented in Congress without the President's approval. (Comment: Introducing a bill or consideration without the President's input apparently has not been done in the last 25 years, thanks to a historically rubber-stamp Congress. End Comment).

HONDUTEL UNDER FIRE

110. (C) As for Hondutel, a popular radio program, HRN, started on May 14 a series on corruption and mismanagement at the state telecoms company. Called "Hondutel, Victim" the program went on to describe the suspicious contracts that were negotiated with 16 international carriers, some of which may not actually exist (ref C). Post has also learned that leading daily newspaper El Heraldo will be running an investigative piece on Hondutel, probably on May 16. Finally, with popular suspicion arising regarding activities at Hondutel, Post has learned that the Public Ministry is set to run a series of operations against key Hondutel executives as early as May 15.

111. (C) SUMMARY: While Post supports continued dialogue between the opposing factions, the observations of Nationalist Congressman David Matamoros were right on the mark: with up to USD 13 million a month at stake, even a small delay means big money. So, despite constructive dialogue, Post has little faith in Hector Rodriguez and his team's commitment to timely reconciliation. A bold move by Congress to present the law may make President Zelaya accept broader changes, and the attack on Hondutel could force him to finally fire Chimirri. The link between Zelaya and Chimirri has proven too strong to break before, however, and may yet weather the storm. END SUMMARY.
FORD